WOODS PETROLEUM CORP.

IBLA 76-91 Decided November 25, 1975

Appeal from decision of Wyoming State Office, Bureau of Land Management, holding that oil and gas leases W 0316519 and W 0316524 had terminated.

Reversed.

1. Oil and Gas Leases: Termination--Oil and Gas Leases: Unit and Cooperative Agreements

   An oil and gas lease in a unit area will be held to have been extended by diligent drilling on the anniversary date even though the lease was not properly committed to the unit, where the parties in interest and the Department had assumed that the land was properly committed and there are no intervening rights to the leasehold.

APPEARANCES: Richard H. Bate, Esq., Nelson, Harding, Marchetti, Leonard and Tate, Denver, Colorado, for appellant.

OPINION BY ADMINISTRATIVE JUDGE STUEBING

Oil and gas leases W 0316519 and W 0316524 were issued on April 21, 1965, effective May 1, 1965, for certain federal land in Johnson County, Wyoming. Through mesne conveyances, Davis Oil Company (Davis) obtained a 77.5 percent interest in the leases. In November 1974, Davis assigned 50 percent interest in the leases to Woods Petroleum Corporation (Woods). The assignments were submitted to the Wyoming State Office, Bureau of Land Management(BLM), for approval on December 5, 1974.

In the course of obtaining approval of a unit agreement, Davis submitted a chart of the ownership interests dated January 20, 1975, to the Geological Survey (Survey). That chart failed to show the assignments from Davis to Woods, perhaps because the BLM had not yet approved the assignments.

On February 10, 1975, the BLM approved the assignments from Davis to Woods effective January 1, 1975. On April 23, 1975, Survey approved the unit agreement with the interests of the parties as originally submitted. On April 30, 1975, Davis Oil Company spudded in a well within the unit area but not on either of the two leaseholds involved herein. On May 29, 1975, Woods filed joinders to the unit agreement. Survey accepted the joinders, effective June 1, 1975. On June 9, 1975, Survey informed BLM that, pursuant to 43 CFR 3107.2, the leases should be extended for a period of 2 years due to diligent drilling operations within the unit on the anniversary date of the leases. On June 16, 1975, Survey informed BLM that the leases should be held to have expired on the last day of their primary term, April 30, 1975, as Woods had not jointed the unit until June 1, 1975, and thus, the leases would not have been extended by drilling elsewhere in the unit. On June 27, 1975, BLM issued a decision holding that the leases had indeed terminated on their normal expiration date.

[1] In a somewhat similar case, Shannon Oil Co., 62 I.D. 252 (1955), the Department held that: 1) where land had erroneously been omitted from a unit agreement by the parties, 2) where both the parties and the Department had assumed that the land was committed to the unit, and 3) where there are no intervening rights, then the Department would consider the lease on the erroneously omitted land not to have expired.

In the present case the leases were committed to the unit, even though it was erroneous to do so, as Woods, a 50 percent owner, had not joined in the agreement. Nevertheless, the reasoning in the Shannon case applies with even greater force here, as the lands actually were included in the unit area. 1/ Furthermore, both the parties and the Department apparently assumed that the leases were

1/ In fact, the confusion may well be due to bifurcation of functions between BLM and Survey. The date of the schedule of ownership submitted to Survey is January 20, 1975. BLM did not approve the assignment from Davis to Woods until February 10, 1975, even though the assignments were made effective January 1, 1975, by BLM.

fully committed to the unit. Nor are there any intervening rights involved. Finally, we note that this interpretation is not inconsistent with the regulation providing for extension of oil and gas leases due to drilling. 43 CFR 3107.2-3.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is reversed.

Edward W. Stuebing
Administrative Judge

We concur:

Douglas E. Henriques
Administrative Judge

Anne Poindexter Lewis
Administrative Judge